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**Review of the efficiency of the administrative and financial functioning of the United Nations**

**Joint Inspection Unit**

# Report of the Joint Inspection Unit on United Nations system revenue-producing activities

## Note by the Secretary-General*

The Secretary-General has the honour to transmit for the consideration of the General Assembly his comments, and those of the United Nations System Chief Executives Board for Coordination, on the report of the Joint Inspection Unit entitled "United Nations system revenue-producing activities" (JIU/REP/2002/6).

* The present note was submitted late to the conference services because comments had to be collected from all members of the United Nations System Chief Executives Board for Coordination.

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*Summary*

The Joint Inspection Unit report "United Nations system revenue-producing activities" (see A/57/707) reviews activities carried out within the system that are regarded as revenue-producing, although in most cases revenue is not the primary objective of these activities (with some exceptions in the United Nations Children's Fund and the World Intellectual Property Organization). Organizations of the system regard many of the activities reviewed as central to the promotion of their mission. The report also points out that while revenue-producing activities are referred to in the United Nations as "commercial activities", this does not imply that they are undertaken with the purpose of earning profit in the sense understood in the private sector. The report notes that the objective of these activities is non-commercial and not for profit. With such clarifications borne in mind, the report reviews the managerial performance of these revenue-producing and commercial activities and makes recommendations both for improving their revenue-producing capacity and profitability, and for developing new income-generating measures.

Members of the United Nations System Chief Executives Board for Coordination (CEB) welcome the report and the information it provides on the range of activities throughout the system that generate revenue. They particularly appreciate the analysis that the report offers of interrelated issues, as well as of the policies and strategies of United Nations system organizations for managing their revenue-producing activities. CEB members are of the view that the report is timely, and that the key issues that it highlights will serve as catalysts for enhanced inter-agency dialogue and will provide a framework for future discussions.

# I. Introduction

1. The report of the Joint Inspection Unit (JIU) entitled "United Nations system revenue-producing activities" (see A/57/707) reviews the policies and practices relating to some of the activities of the organizations of the United Nations system that generate revenue. The report responds to concerns expressed by the General Assembly when, in section II, paragraph 17, of its resolution 52/220 of 22 December 1997, it invited the Secretary-General to "propose measures to improve the profitability of the commercial activities of the United Nations, in particular in the sale of publications at Geneva, and, where appropriate, to develop new income-generating measures". The report was prompted by a suggestion made by the Office of Internal Oversight Services in the context of its management audits, and by the interest expressed by several organizations of the United Nations system in having this topic reviewed on a system-wide basis.

2. The revenue-producing activities reviewed in the JIU report vary widely in nature and scope, ranging from those that generate small amounts of income — for example, the sale of souvenir items in several organizations of the United Nations system — to those considered major revenue producers, such as fee-for-service operations at the World Intellectual Property Organization (WIPO) or the sale of greeting cards at the United Nations Children's Fund (UNICEF). Most of the activities considered in the report are integral to the work programmes of the organizations concerned, but also present opportunities to generate revenue. The report also examines activities that are mandated purposely to advance the charter goals of the organizations concerned and promote their public image, such as those of the United Nations Postal Administration and the visitors' services, and WIPO's fee-for-services activities in the field of intellectual property.

3. The JIU report notes that although the activities reviewed are considered revenue-producing, in most cases this does not imply that this is their primary objective (with some exceptions, such as in the case of certain activities of UNICEF and WIPO). While the primary objective is clearly to promote the mission of the organizations concerned, in the course of doing so various opportunities arise for revenue to be generated as a secondary objective. Moreover, while revenue-producing activities are referred to in the United Nations as "commercial activities", this does not imply that the United Nations system organizations concerned are therefore driven by a profit motive in the sense understood in the private sector. In contrast with the private sector, United Nations system organizations pursue non-commercial and not-for-profit objectives. With these clarifications borne in mind, the report reviews the managerial performance of these revenue-producing and commercial activities and makes recommendations both for improving their revenue-producing capacity and profitability, and for developing new income-generating measures.

# II. General comments

4. Generally, members of the United Nations System Chief Executives Board for Coordination (CEB) welcome the report and appreciate the extensive work undertaken by JIU in its preparation, especially in view of the fact that it is the first of its kind. They regard the report as an informative and a useful overview of the

policy frameworks and prevailing practices for undertaking revenue-producing activities in the various organizations of the United Nations system.

5. CEB members consider the report to be timely, in the light of ongoing efforts within the organizations of the United Nations system to tap possible new sources of income in support of their respective mandates. They note especially the information and the recommendation concerning the need to manage existing revenue-producing activities in a more efficient, more businesslike fashion, including through improved marketing strategies and techniques and expanded geographical coverage of sales networks, as may be appropriate to the nature and mandate of the organizations concerned.

6. CEB members generally find the various recommendations contained in the report to be relevant to enhancing the United Nations system revenue-producing activities, although it is obvious that in some cases greater specificity and specific agreements on the means of implementation are essential before the recommendations can be considered.

7. The report recommends the consideration of new management arrangements for revenue-producing activities in order to improve management efficiency and effectiveness. It also proposes corresponding changes in the financial and administrative regulations and rules of the organizations of the United Nations system. CEB members note that the Secretary-General has already addressed these issues in recent reports (A/55/546 and A/57/398).

8. Some CEB members observe that the report tends to focus more on the production and sale of publications and related products, including public information material and electronic databases, than on the development of new income-generating activities that are supportive of the organizations' mandates.

9. With respect to issues raised in the report concerning the sale of publications, CEB members offer the following views:

- The use of the level of sales of publications as a quantitative indicator of the efficiency of management, as well as the establishment of a revenue target benchmark, would be relevant only in situations where the buyers of publications are nationals and/or institutions of high-income countries, academic institutions and the like. Clearly, this is not the situation being faced by many of the organizations of the system, and maximizing revenues through the sale of publications would imply targeting clientele groups that, for the most part, would fall outside of their core mandates.

- The dissemination of information and the cultivation of a positive image of the organizations concerned through the sale of publications are clearly the primary objectives, with revenue generation regarded only as a secondary objective.

- There is a difference between specific publication and sales activities intended to raise income and those where the desire to maximize revenues should not be permitted to override other, more important objectives, such as wide availability of the publication products in question.

# III. Comments on recommendations

## A. Recommendations to the United Nations

**Recommendation 1**
**New management arrangements for United Nations revenue-producing activities**

**(a) In line with his proposal to separate the management of revenue-producing activities from the core activities of the Organization, the Secretary-General should consider merging revenue-producing activities into a single Business Division, to be managed by an interdepartmental body, similar to the Senior Advisory Board on Services to the Public (ST/SGB/231), and charged with the following responsibilities:**

**(i) Developing and managing global marketing and sales operations for the Organization's public-outreach revenue-producing activities;**

**(ii) Designing and implementing an appropriate personnel and administrative framework responsive to the special nature of the operations under special delegation of authority;**

**(iii) Improving the financial results of the activities on the basis, inter alia, of strategic and operational business plans incorporating revenue targets;**

**(iv) Negotiating and managing outsourcing contracts with external entities;**

**(v) Fostering cooperation and coordination among Secretariat departments, funds and programmes, as well as with interested specialized agencies, in the marketing of public-outreach revenue-producing activities, and performing other functions as may be added and defined.**

**(b) The Secretary-General should consider recommending to the General Assembly revisions to relevant provisions of the United Nations Financial Regulations and Rules in order to align them with the proposed new management arrangements and the policy objectives set forth in recommendation 6 below for revenue-producing activities, including in particular the need to reinvest proceeds into the further development of revenue-producing units (paras. 68-72).**

10. While noting that recommendation 1 is addressed to the United Nations, some CEB members express the view that there could be inherent inconsistency in mixing a profit-oriented business venture with the goals of the not-for-profit organizations of the United Nations system as a whole. Some caution is thus called for in initiating a process whereby non-revenue-related activities may gradually be crowded out by the exigencies of business.

11. As far as the United Nations is concerned, this recommendation is consistent with the aforementioned reports of the Secretary-General on this subject. As stated in A/55/546, paragraph 4, an independent review of commercial activities by a private consulting firm determined, inter alia, that "commercial activities should be managed separately from other core activities of the Secretariat". As a result of its consideration of the report, the General Assembly, in paragraph 4 of its resolution

56/238, requested the Secretary-General "to make proposals to streamline and simplify the administration and management structure" of these activities and, in paragraph 5, to report to the Assembly at it fifty-seventh session on that and other elements of the resolution.

12. In view of the pending studies on the United Nations Postal Administration as well as the imminent issuance of the present report of the JIU, the Secretary-General provided an interim report to the General Assembly (A/57/398). Nonetheless, the Secretary-General has outlined proposals to identify those commercial activities whose primary objective is to disseminate information and to group all revenue-producing activities under an administrative structure focusing on outreach. The Secretary-General has also indicated his intention to reactivate the Senior Advisory Board on Services to the Public. In view of the broad support for this recommendation, it is expected in principle that it will be explored in the development of the Secretary-General's comprehensive review envisaged for presentation to the General Assembly at its fifty-eighth session.

**Recommendation 2**
**Enhancing public access and visibility**

**The Secretary-General should consider the possibility of relocating the United Nations bookshops and gift centres in New York and Geneva in such a way that they are as visible and accessible to the general public as to staff and conference delegates in order to improve the prospects of increasing revenue from these operations in the context of increased security measures limiting general public access to the Organization's premises (paras. 73-76).**

13. There is general agreement in the United Nations with the recommendation of moving the bookshop and other retail operations to an area that is more accessible and visible. The issue is an integral component of the visitors' experience project and is currently being considered together with other, related issues, including considerations of security restrictions. It should also be considered that a significant percentage of the bookshop sales are actually generated from staff members, delegates and conference attendees. The recommendation is of particular relevance to Geneva, where the public has less contact with the retail areas as a result of enhanced security measures.

**Recommendation 3**
**Extending geographical spread**

**With a view to improving the profitability of revenue-producing activities and the United Nations global public image, the Secretary-General should:**

**(a) Consider undertaking cost-benefit analyses of extending the geographical spread of some activities, be it on an experimental basis, such as bookshops, gift centres and sale of philatelic stamps, to more locations in the developed and developing countries, especially where there is a United Nations system presence, such as United Nations Information Centres (UNICS) whose mandate and staffing could be strengthened for this purpose, starting with a selective and trial arrangement;**

**(b) Study the possibility of implementing at the Geneva and Vienna duty stations the information technology and other suitable dimensions of his proposal for enhancing the United Nations experience for visitors at Headquarters with the involvement of other system organizations as well as the host Governments/cities;**

**(c) Pursue for the above purposes, in the specific case of the Geneva duty station and in cooperation with other interested Geneva-based organizations, the opportunity of the project currently being studied by the Swiss authorities to physically transform and modernize the Place des Nations in Geneva (paras. 77-79).**

14. Recommendation 3 as it relates to the United Nations Information Centres would have to be reviewed in the light of the ongoing review of the work of Information Centres and with due regard to the resources required for them to undertake revenue-producing activities. Information Centres promote sales of United Nations publications and stamps via their newsletters, press releases, exhibits and book fairs. However, as direct sales require additional administrative staff and entail financial responsibilities, Information Centres in general, and those that are not self-accounting in particular, lack the capacity to perform direct sales activities as sales agents for the producing organizations. That being said, it may nevertheless be possible to enhance the coordination of Information Centres as focal points in the field for product sales, with the understanding that any direct involvement in the revenue-recovery process by selected centres would require additional resources.

15. It would also be useful to strengthen the linkages with United Nations associations in various countries in order to be more flexible in undertaking revenue-producing activities. The role of UNICEF's national committees can be seen as a model in this regard. In the case of revenue-producing activities in both Geneva and Vienna, these could benefit from greater coordination among different organizations of the United Nations system. Ideally, the United Nations visitors' experience project will provide a useful model to follow in conjunction with similar ventures, such as the initiative of the Swiss authorities relating to enhanced visitor facilities in Geneva.

16. From a system-wide perspective, while CEB members agree that it makes good sense to improve revenue-producing activities to increase profitability and at the same time promote the image of organizations of the system, they express the concern that this may create a mistaken public impression that the United Nations system organizations are more interested in commercializing their activities than in focusing on their basic mission. They therefore call for due care and caution on the question of how this recommendation should be considered, promoted and implemented.

**Recommendation 4**
**Exploring outsourcing options**

**Within the context of General Assembly resolution 55/232 of 23 December 2000 on outsourcing practices, the Secretary-General should ensure that the outsourcing of revenue-producing activities takes into due account:**

**(a) The specific objective and special nature of each activity concerned, as well as the expertise available in-house to frame and effectively monitor mutually beneficial contracts with private-sector entities;**

**(b) The option of outsourcing each eligible operation on a global scale or within geographical segments;**

**(c) The desirability or not of granting exclusive rights to contractors depending on the nature of the activity;**

**(d) The possibility of experimental two-year outsourcing contracts based on net revenue targets and other relevant performance measures (paras. 85-88).**

17. In respect of recommendation 4, the view was expressed that in the United Nations in-house expertise usually surpasses that available outside, especially where the primary goal is to promote the United Nations. The activities of sales promotion and tours should be seen as an integral part and an extension of the overall work of the United Nations, in that they constitute outreach and an educational experience for visitors.

18. Some CEB members point out that this recommendation should be further reviewed in the light of the findings and recommendations of the forthcoming JIU report on the management audit review of outsourcing in the United Nations and United Nations funds and programmes.

**Recommendation 5**
**United Nations Postal Administration (UNPA)**

**(a) The Secretary-General should seek from the General Assembly the necessary authority to review existing agreements between the Organization and host countries regarding UNPA in order to establish the continuing validity of the existing formula for sharing between the United Nations and host country postal administrations the costs and revenue relating to UNPA operations; the proposed review should take fully into account the overall financial, economic and other benefits that the host countries derive from the location of United Nations system organizations on their territories;**

**(b) The Secretary-General should also initiate consultations with competent authorities of the Universal Postal Union (UPU) with a view to strengthening UNPA business relations with national postal administrations (paras. 89-93).**

19. Recommendation 5 is presumably based on the perception that UNPA may be unwittingly subsidizing the United States Postal Service (USPS) through the provision of free office space and the payment for mail services at prevailing rates. A closer look at the Postal Agreement between the United Nations and the host country would reveal that this provision was made as a quid pro quo for the services to be rendered by USPS under the terms of section 6 of the Agreement. While it may certainly be possible to review the terms of the Agreement in order to further the prospect of increasing profitability, it is also possible that the costs to USPS exceed the revenues it derives from the establishment of a postal station at the United Nations. Given the dire financial condition of USPS — and, indeed, of most postal authorities around the world — it is likely that any review of the Agreement at this time would yield adverse results for the United Nations. Furthermore, it would be difficult to quantify the convenience factor for staff and delegations associated with

the on-site facility. For these reasons, it may not be prudent to request a review of the existing Agreement.

20. The suggestion in the report that UNPA strengthen its relations with UPU and its member countries is welcome indeed. In fact, UNPA has participated in most meetings of the World Association for the Development of Philately, established by UPU. This relationship will be further explored and expanded. However, it should be noted that the absence of reciprocity is a key element in the designation of UNPA as a "postal entity". National postal administrations receive and deliver each other's mail, formerly on the basis of the perception of equal reciprocity, and lately, when that system proved inequitable, on the basis of "terminal dues". Therefore, the UNPA association with UPU cannot be expected to be on the same footing as that of other national postal authorities.

## B. Recommendations to all the organizations

**Recommendation 6**
**Policy objectives**

**The competent legislative organ of each organization should further strengthen, within a coherent policy framework, existing directives for revenue-producing activities, including, inter alia, the following objectives:**

**(a) To promote the legislative mandates and global public image of the organization while also maximizing revenue, where appropriate, for the discretionary allocation of the Member States;**

**(b) To ensure the long-term financial sustainability of the activities through the reinvestment of an appropriate percentage of their proceeds in the organizational and author units directly concerned (to support their enhanced information technology needs, further research and development, production and reproduction, as well as marketing and sales efforts); to that end, self-financing mechanisms, such as special revolving funds, should be established where non-existent at present, and some flexibility may be given to the services concerned to mobilize their own resources, in kind or cash, from public and private sources to meet their needs for start-up capital, working capital, or operational reserves, in keeping with the financial regulations and rules of each organization;**

**(c) To encourage organizational creativity and performance measurement based on financial results;**

**(d) To tap the financial benefits of intellectual property protection rights;**

**(e) To strengthen the comparative advantages of each organization concerned;**

**(f) To adhere to ethical standards consistent with United Nations system values and the ethical framework existing in each organization for cooperation with the international business community (paras. 56-61).**

21. Recommendation 6 is generally acceptable. CEB members observe that in the case of publications, quality and timing are essential to maximizing outreach and revenue. Policy for handling revenue should address this requirement by providing

the support and the incentive to enhance publications, which are among the main revenue-producing activities in the United Nations and certain other organizations of the system. In the United Nations, experience has shown that where revenue is available to departments to reinvest in improving their products and services, high-quality standards and user support have been achieved. In addition, a greater degree of flexibility in allowing the revenue-generating operations to accept donations in cash or in kind from interested Member States and from the private sector ought to be considered.

22. As regards recommendation 6 (d) above (as well as recommendation 11 below) some CEB members point out that revenue that could be generated from the exploitation of intellectual property to which an organization has title should be only a secondary objective, the primary objective being to ensure that products and services resulting from intellectual property rights are made widely available at affordable prices, especially to the private sector in developing countries.

**Recommendation 7**
**Increasing revenue from publications**

**The executive heads of the organizations should, where this is not already the case, aim to increase revenue from publications by raising the visibility of their publications programmes in terms of budgets and staff allocations while also taking into account best practices mentioned in this report, and introducing the following measures, inter alia:**

**(a) Achieving a more judicious balance, as may be determined by each organization, between free distribution (including free access over the Internet) and paid distribution of publications;**

**(b) Further expanding the geographical coverage of marketing and sales operations;**

**(c) More widely promoting licensing rights for translations and the reproduction of low-cost local editions, especially in the developing countries;**

**(d) Holding on a more regular basis, and at different duty stations, existing informal inter-agency meetings of the heads of publications programmes in the context of the annual Frankfurt Book Fair, and focusing the agendas of these meetings on the sharing of best practices in publishing and marketing activities, including cost and royalty issues relating to co-publishing activities;**

**(e) Establishing common printing services wherever appropriate as outlined in this report, especially with a view to combining limited resources to upgrade plant capacities and technologies for processing high-quality or special printing tasks now generally outsourced to commercial printers (para. 103).**

23. Generally, recommendation 7 is acceptable where the suggested initiatives can be addressed without a requirement for additional resources. However, some CEB members point out that since it is likely that incremental additional costs will be incurred with each of the initiatives suggested, there is first a need to examine, before the recommendation is considered for implementation, whether the expected additional revenue would be able to offset these incremental costs.

24. The United Nations proposals for the improvement of publications have been stated in the report of the Secretary-General "Strengthening of the United Nations: an agenda for further change" (A/57/387 and Corr.1). In paragraph 81 the report supports the migration to online service and delivery with a "multilevel subscription plan that charges users for access, depending on their location and ability to pay". As the feasibility of this approach is assessed, it will be necessary to review the existing policies on dissemination, including those that govern free distribution versus sales and the licensing of published materials.

25. It is emphasized, however, that the potential of the United Nations to generate revenue from publications should be viewed realistically. For example, it is unrealistic to compare the United Nations publishing operations to those of the International Maritime Organization or the International Telecommunication Union, as these have very specialized mandates and are heavily involved in developing international regulations in their respective spheres of activity. Furthermore, their activities have a more direct impact on major global industries. For these reasons, they have both a captive market for their publications and a market that is not starved of financial resources. In contrast, a significant share of the market for United Nations publications is in areas that are generally dominated by not-for-profit entities and characterized by intense competition for scarce resources. Likewise, many United Nations publications are not intended for large markets, but are produced to meet specific legislative requirements and therefore are not expected to generate tremendous amounts of income.

26. CEB members note the need for improved inter-agency coordination on publication policies and dissemination activities, as mentioned in paragraph 103 (e) and (f) of the JIU report. In the economic and social sectors the United Nations is actively pursuing practical means of achieving greater focus and consistency, and of reducing overlap through the Executive Committee for Economic and Social Affairs.

**Recommendation 8**
**Public information products**

**In order to generalize policies and practices already existing in some organizations, the executive heads should identify, among the public information materials of their respective organizations, those products with marketable value, especially audio-visual productions, that could be purposely developed for the twin objectives of advocacy and income-generation, without prejudice to the free distribution of all other public information materials (paras. 104-106).**

27. While agreeing in principle that revenue can be gained from public information materials, CEB members point out that before they are developed there should be a clear decision on how these products are to be disseminated. In this way, the conflict between free distribution and sales can be avoided and the products' effectiveness can be properly assessed.

**Recommendation 9**
**Electronic databases and related products**

**(a) The organizations should emulate best practices by the United Nations and the International Civil Aviation Organization (ICAO) in the online marketing of their databases, and may also give consideration, as appropriate,**

**to the Food and Agriculture Organization of the United Nations (FAO) formula of free but limited public access, and paid unlimited access to electronic databases;**

**(b) Similarly, the organizations should adopt to the extent feasible the United Nations Industrial Development Organization (UNIDO) Computer Model for Feasibility Analysis and Reporting (COMFAR) in the development and marketing of software programmes that promote their mandates and generate income in the process (paras. 107-112).**

28. The fundamental objective of recommendation 9 is generally acceptable. However, this recommendation is subject to the determination by each organization of the system of the extent to which the best practices, provision of access to electronic databases and modelling technique referred to in the recommendation are clearly relevant to the nature of its own operations and consistent with the objectives of its electronic database development activities.

**Recommendation 10**
**Procurement for third parties**

**(a) The executive heads of the organizations should, where necessary, introduce and sustain measures designed to strengthen and maintain their respective comparative advantages in the international procurement of goods and services along the lines set forth in this report;**

**(b) In order to financially support, albeit partially, the objective of recommendation 10 (a) above, the organizations should study the desirability of charging appropriate bidding or registration fees to private-sector entities submitting proposals to tender for the organizations' procurement and outsourcing contracts (paras. 113-115).**

29. CEB members take the view that the implementation of recommendation 10 may discourage vendors from developing countries and countries with economies in transition from participating in procurement opportunities within the United Nations system, which is actually contrary to the mandate of the General Assembly to take further measures to increase procurement opportunities for vendors from those countries.

**Recommendation 11**
**Research and development (R & D) in science and technology**

**The Chief Executives Board for Coordination (CEB) should set up an ad hoc task force, including WIPO, to formulate a common science and technology policy on patents modelled on World Health Assembly resolution WHA35.14 of 12 May 1982 on policy on patents, aimed at encouraging the organizations to further strengthen their science and technology R & D activities in support of global social and economic development objectives, and to use acquired patent rights more broadly and systematically than heretofore to generate income and other benefits for the further development of R & D activities, which might require centralized and self-financed R & D programmes in some organizations (paras. 117-121).**

30. As stated in paragraph 22 above, some CEB members take the view that generating revenue from the exploitation of intellectual property titles belonging to organizations of the United Nations system should be secondary to ensuring that products and services resulting from intellectual property rights are made widely available at affordable prices, especially to the private sector in developing countries.

31. The need for a system-wide science and technology policy on patents to which the organizations of the system have ownership needs to be evaluated in the light of the extent to which research and development work in the United Nations system produces patentable results, and whether or not a market potential exists for the results so that revenue-making becomes a relevant consideration. At present, this need is not evident system-wide. Moreover, as regards revenue to be made from patents, this issue needs to be assessed in the context of whether it would be consistent with, and serve the purpose of advancing, the mission of the organizations concerned, given that, a priori, such missions are by definition non-commercial and not for profit.

**Recommendation 12**
**Substantive training and public lectures**

**(a) The executive heads of the organizations should consider extending or establishing substantive training and public-lecture programmes for non-State actors on a fee-paying basis, with a view to promoting policy and technical dialogue and other forms of interactions with civil society;**

**(b) The potential and cost benefits should also be studied of fee-paying courses which some organizations might wish to offer over the Internet or otherwise on subjects related to their core competencies, in partnership or not with credit-granting educational institutions (paras. 121-123).**

32. Recommendation 12 is generally acceptable, although the observation made by CEB members in respect of recommendation 3 above also applies here, and the same deliberate caution and due care are advised on how this recommendation should be considered, promoted and implemented. In the case of the United Nations, for example, the lecture programmes, workshops and seminars organized by the Department of Public Information are seen primarily as a means of disseminating information about the work of the United Nations and promoting discussion, study and training, in priority areas of United Nations concern, among representatives of civil society, including academic groups, non-governmental organizations and others. They also serve as valuable sources of information for the United Nations system. The Department of Public Information actively seeks to encourage such outreach and has determined that imposing a fee for such programmes would have the effect of reducing demand and limiting its ability to reach key target audiences, apart from differentiating between individual groups based upon their capacity to pay. None of these effects would ultimately be in the best interests of the United Nations.

**Recommendation 13**
**Reinforcing the marketing function**

**The executive heads should ensure that the marketing and sales functions for revenue-producing activities in their respective organizations are reinforced as follows:**

**(a) The conduct of periodic market research studies, particularly for publications, as may be appropriate for each activity;**

**(b) Except for price discounts in the developing countries, the pricing of activities should be guided by a mark-up pricing method and the cost to be considered should include both direct and overhead cost elements of the activity unit concerned, subject to (c) below;**

**(c) The subscription fees for databases online should be guided by a value-pricing method that takes into account their generally exclusive nature, demand potential and the income brackets of the customer segments concerned; the fee-discount policy for favoured user groups should be harmonized; and fee rates should differentiate between institutional and individual customers;**

**(d) The further strengthening of cooperative strategies and mechanisms for distribution and sales services, especially for publications and gift items, including cross-selling of one another's products on a voluntary basis, and extending distribution and sales networks in the developing countries. To that end, full use could be made of United Nations system field offices (paras. 124-127).**

33. CEB members point out that most if not all publications of the organizations of the system are produced to meet specific legislative mandates rather than to meet the needs of specific target groups in civil society. While the results of periodic market research may be useful in uncovering more precise needs and demands for publications, the United Nations system may not have the flexibility needed to react fully to such survey findings and to be able to optimize its publication activities, especially considering that intergovernmental mandates and advocacy also have to be taken into account.

34. While the recommendation regarding pricing may be valid from a marketing standpoint, CEB members observe that the determination of prices by a mark-up pricing method relies on accurate cost information, which is not always available for all products. In the case of database products of the United Nations, for instance, value pricing has been applied to the extent possible, taking into account prevailing attitudes internally and the market situation.

35. The organizations of the United Nations system cooperate closely in the sale of publications, taking advantage of the fact that among the various organizations of the system there are overlapping markets for their respective publications. Indeed, such cooperation already exists in the form of cooperative book exhibits that the United Nations has undertaken to organize at major international conferences and trade fairs.